

Exhibit 21 to Plaintiff's  
Memorandum of Points and Authorities  
in Support of Its Motion for Temporary  
Restraining Order and Preliminary Injunction  
(PX01345)

**From:** Jeffrey Hollender  
**Sent:** 11/13/2006  
**To:** Michael Besancon (SP SPC); Walter Robb (CEN REM)  
**Cc:**  
**Bcc:**  
**Subject:** Pepsi Dons Disguise in Attempt to Seduce Whole Foods Devotees

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In the event you missed this!

Jeffrey

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Pepsi Dons Disguise in Attempt to Seduce Whole Foods Devotees  
Beverage Giant Launches Upstart Brands to Blend in With Retailer's Regulars  
By Stephanie Thompson

Published: November 09, 2006  
NEW YORK (AdAge.com) -- Whole foods this month brings to its shelves a new line from a small entrepreneurial company: PepsiCo.

Even the Fuelosophy website lacks any reference to the product's Pepsi parentage.

#### Hiding ownership

Of course, no one can accuse the \$35 billion food and beverage behemoth of being little. But Pepsi the Goliath is trying to behave that way to slay the many Davids dominating Whole Foods' aisles. To compete with the homespun, lifestyle-oriented companies that appeal to the Whole Foods consumer, Pepsi is creating wholly new startup brands for the chain that bear no telltale trace of their corporate lineage and are supported with very little marketing.

Its high-energy protein-drink line, called Fuelosophy, follows in the footsteps of its already-introduced Sun Snacks organic line of sunflower-oil chips and cheese puffs testing in the chain since last February.

#### No comment from Pepsi

Until now, most of the forays from Big Food into the explosive \$25 billion natural-foods category have come not from creating new brands but from buying up successful niche ones in the space. But Pepsi, which didn't return calls for comment, is far from alone in taking the entrepreneurial route to the shelves of the fast-growing, national-brand-eschewing natural-foods chain.

"Every company I work with is designing products distinctively different than regular grocery products to appeal to the natural-foods channel," said Steve Gundrum, president-CEO of product-development

firm Mattson.

To do so, giant marketers need to change their thinking. Mr. Gundrum said Whole Foods is ""not a reseller of branded package-goods like other retailers. They're really a curator of brands and products that fit their consumers' lifestyle"" -- which means consumers trust products carried at Whole Foods and are willing to pay far higher prices for them.

#### Spectacular growth

That's why Whole Foods has grown spectacularly since its 1980 launch to a 180-store chain with sales up a stunning 20% for the first 40 weeks of the year to \$4.3 billion. That trajectory certainly catches food and beverage marketers' attention, especially when compared to the far slimmer growth of traditional grocers such as Kroger and Safeway, which last year were up 7% and 5% respectively.

Distribution in Whole Foods allows big food marketers to test new products without the heavy costs of mainstream launches and establish much-needed credibility in health and wellness.

""It used to be that the natural-foods channel was an afterthought in terms of distribution, but now it's almost like ... a beachhead for brands that are different and legitimately better products, even if the endgame is mainstream grocery,"" said Peter Murane, president of BrandJuice, an innovation and brand-strategy firm. Mr. Murane's client roster includes once-small startup brands Allegro coffee and Rudi's Organic breads; each is No. 1 at Whole Foods in its respective category.

#### Testing new brands

Scott Van Winkle, managing director of investment bank Cannacord Adams, said he believes PepsiCo's strategy is to use Whole Foods to test new brands instead of spending tens of millions to slot them into traditional grocery stores and advertise them. ""Then they'll make the determination to go out ahead in mainstream grocery, since these days those guys are all watching what Whole Foods does.""

And big rivals are targeting it. On Nov. 3, Whole Foods stock had its biggest drop ever as investors fear lower sales as giant grocers such as Wal-Mart enter its territory.

Ad spending for brands at Whole Foods is minimal. One executive close to PepsiCo noted it would be ""counterproductive to advertise [Fuelosophy and Sun Snacks], as Whole Foods consumers like the discovery of things not tarnished by mass marketing.""

Whole Foods spokeswoman Kate Lowery said the company's regional buyers ""do tend to meet with smaller local companies that meet our quality standards."" But she said many small companies it started out working with have since been bought by larger ones.

In fact, observers note Whole Foods is eager to get in bed with the big guys. ""Whole Foods' growth is going to come from the mainstreaming of their products, and if they can green up these big guys to fit their ... criteria, they'll have much bigger margins,"" the executive close to PepsiCo said.

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2 Attachments